HDFC Standard Life Insurance Company Limited

Quarter ended June 2013

Selected Business Superbrand INDIA 2010/11 Industry Validated

SELECTED Superbrand INDIA 2011/12 Consumer Validated

HDFC Life

Performance Snapshot

Revenue

- *Total premium growth of 9% (PY 7%)*
- *Renewal premium higher by 23% (PY 0.4%)*
- *Conservation ratio* at 79% (PY 80%)*
- *Ranked^ 2nd in private market share (PY 2nd)*

Indian GAAP Financials

- *Registered net profit of ₹ 2.7 bn (PY ₹ 1.0 bn)*
- *Expense ratio at 13.4% (PY 15.4%) of total premium*

AUM, NBM & Solvency

- *Assets under management increased 24.6% on YoY basis*
- *NBM stood at 18.8% for individual business*
- *Solvency Ratio 227% against a regulatory requirement of 150%*

* Conservation ratio has been reworked after adjusting for change in accounting policy for unit-linked business since Q1 FY13. Adjusted for non-NAV days of the quarter ending, the ratio would be 81% in Q1 FY14 (PY 80%). Conservation ratio is for individual business.
^ Ranking is based on individual business WRP

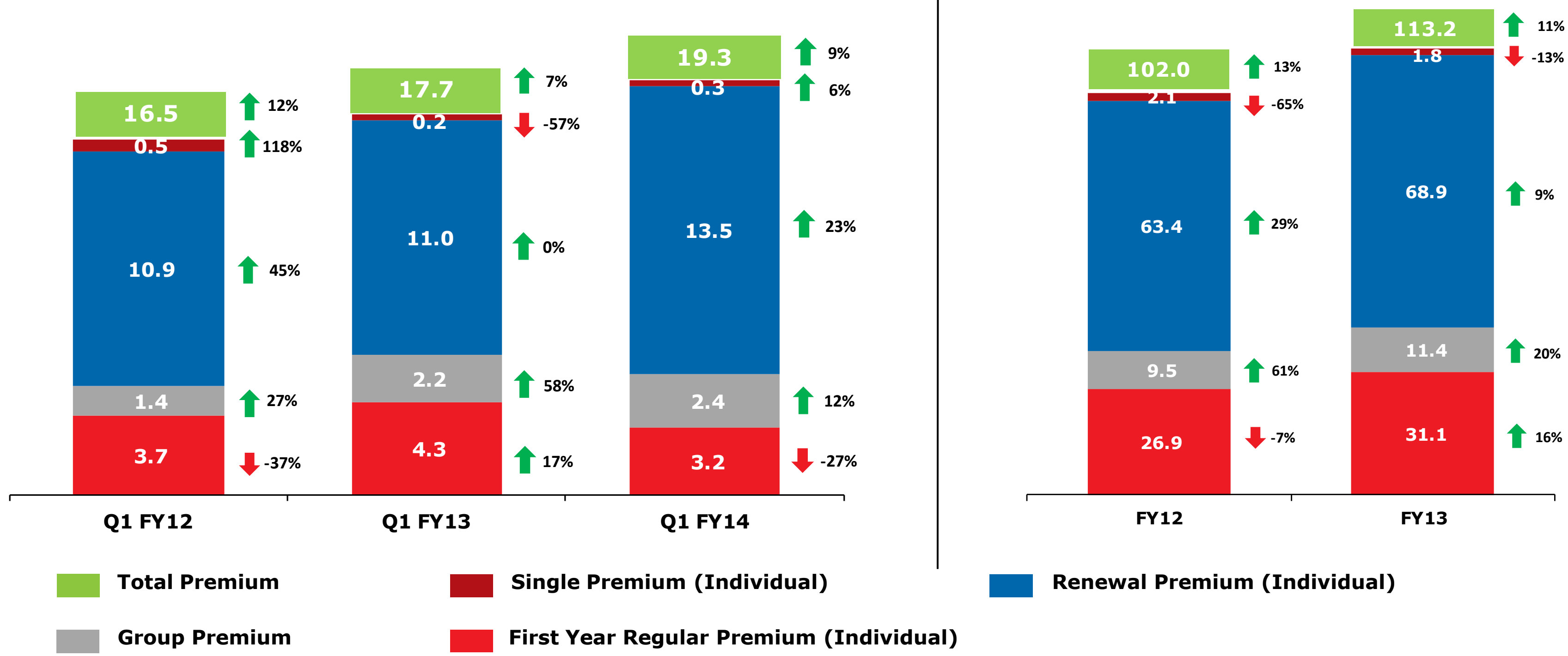
HDFC Life

Premium Income

₹ Bn

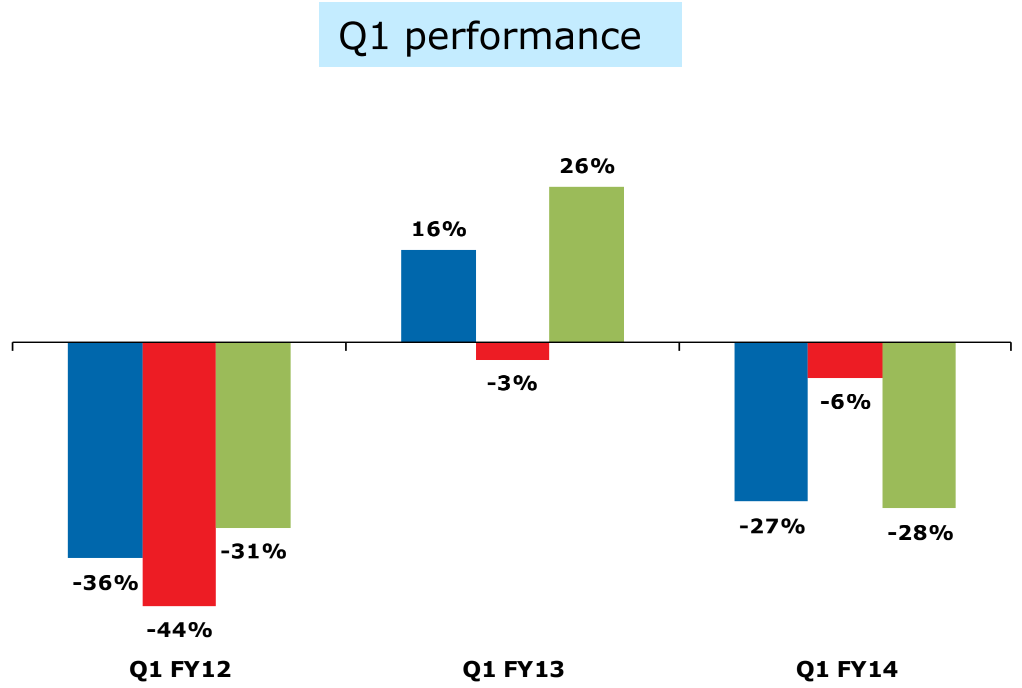
Q1 performance

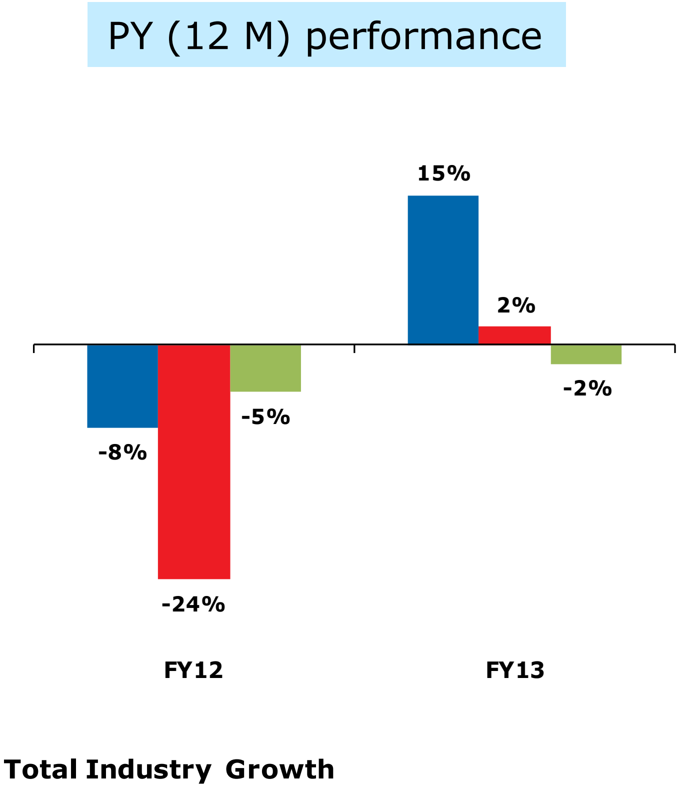
PY (12 M) performance



- Registered a positive growth of 9% in total premium vs PY amid challenging market conditions
- Strengthening of processes relating to new customer acquisitions will provide a robust platform for quality growth

Weighted Received Premia(WRP) Individual Growth



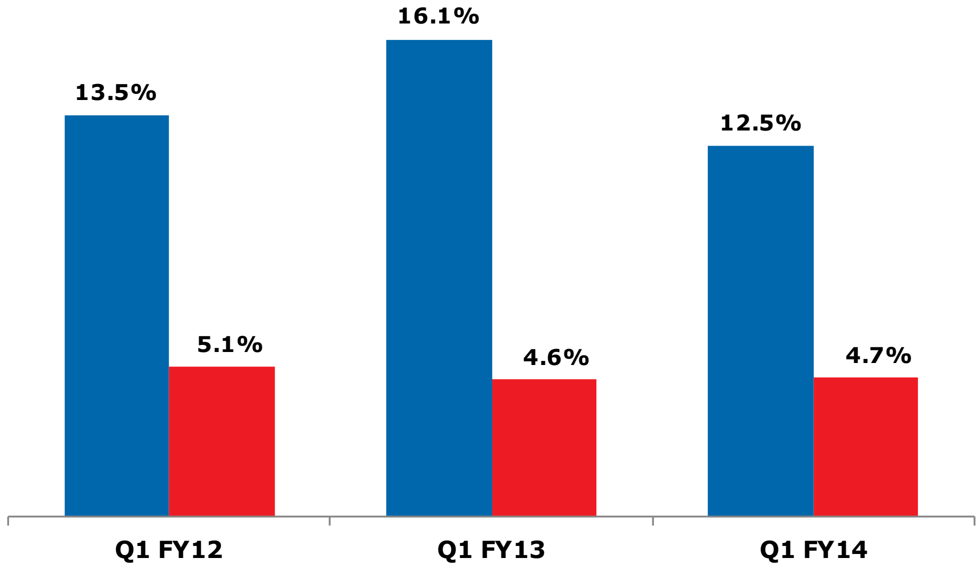


- The slowdown in Banca channel is on account of stringent verification processes that have been introduced to strengthen the quality of business

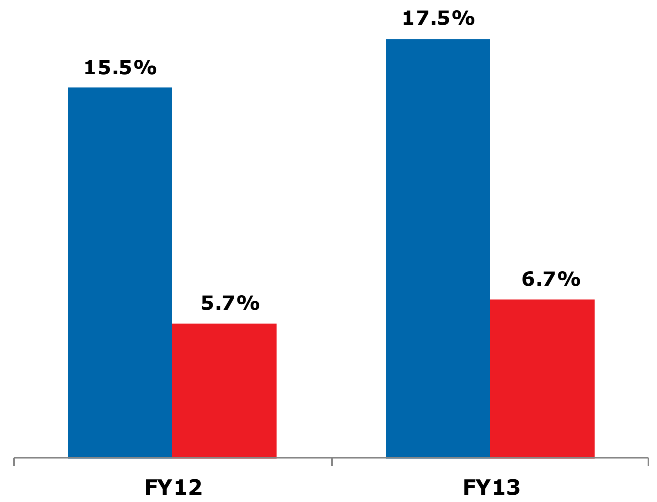
Source: IRDA

Market Share (WRP Individual)

Q1 performance



PY (12 M) performance



■ Private Industry ■ Total Industry

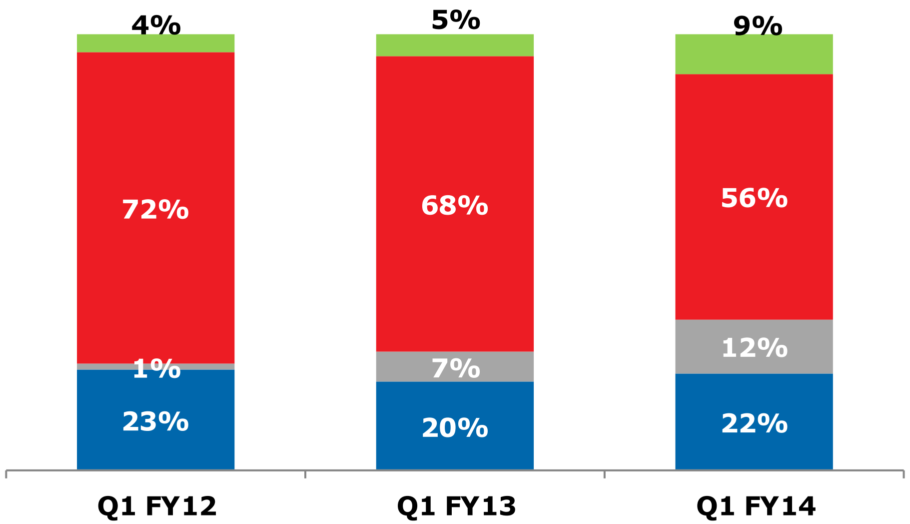
- Retained ranking at #2 in Q1 FY14 amongst private insurance companies (individual business)
- A conscious call taken to introduce stringent processes in order to strengthen the quality of business written has impacted our market share in Q1 FY14

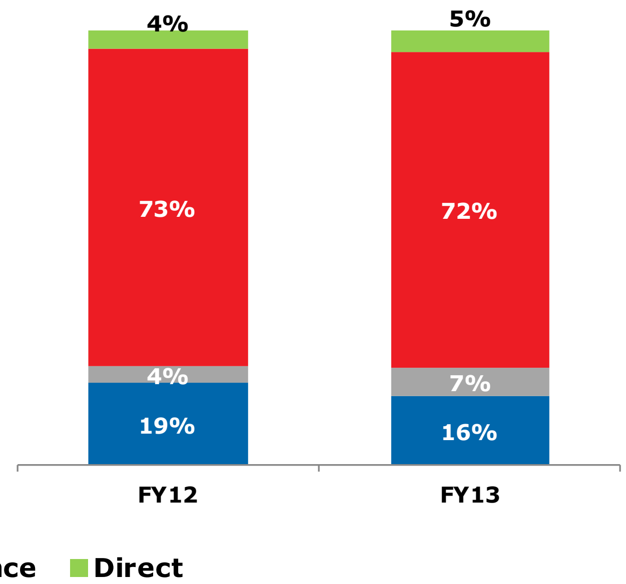
Source: IRDA

Distribution Mix

Q1 performance

PY (12 M) performance

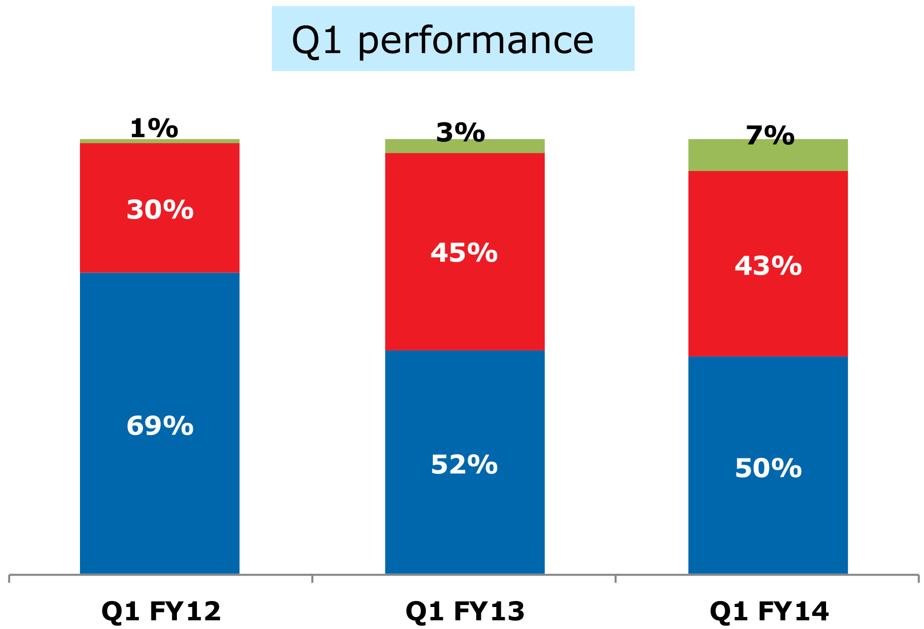


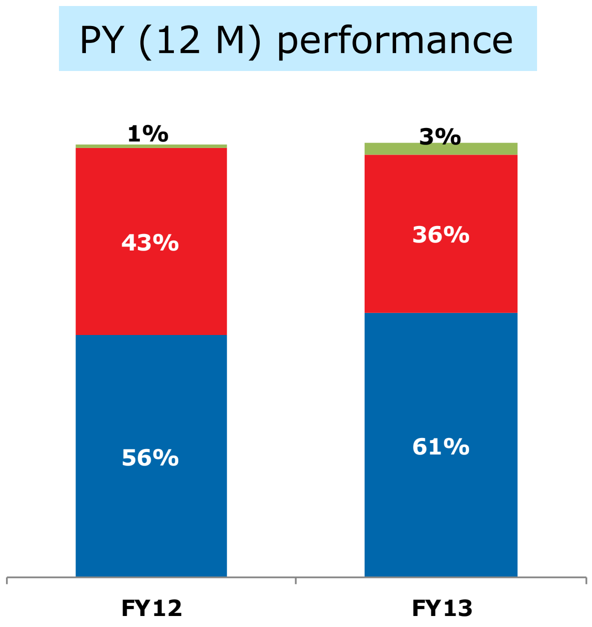


- In line with our diversification strategy, Direct and Broker channel increase their share in new business
- The company operates out of 450 offices across the country serving over 962 cities in India and a liaison office in Dubai

• The percentages are with reference to APE for individual business

Segment Mix





Unit Linked Participating Non Participating

- Maintained a balanced segment mix. Non-par segment picking up well with online term products showing increasing potential

• The percentages are with reference to APE for individual business

Commission Ratio

Q1 performance

Commission (% of Premium Income)	Q1 FY12	Q1 FY13	Q1 FY14
- First year premiums	11.9%	15.3%	17.8%
- Renewal premiums	1.9%	1.5%	1.4%
- Single premiums	0.5%	0.3%	0.4%
Total	**3.9%**	**4.7%**	**3.9%**

PY (12 M) performance

Commission (% of Premium Income)	FY12	FY13
- First year premiums	17.6%	17.7%
- Renewal premiums	1.6%	1.3%
- Single premiums	0.3%	0.3%
Total	**5.7%**	**5.7%**

- Overall commission ratio under control

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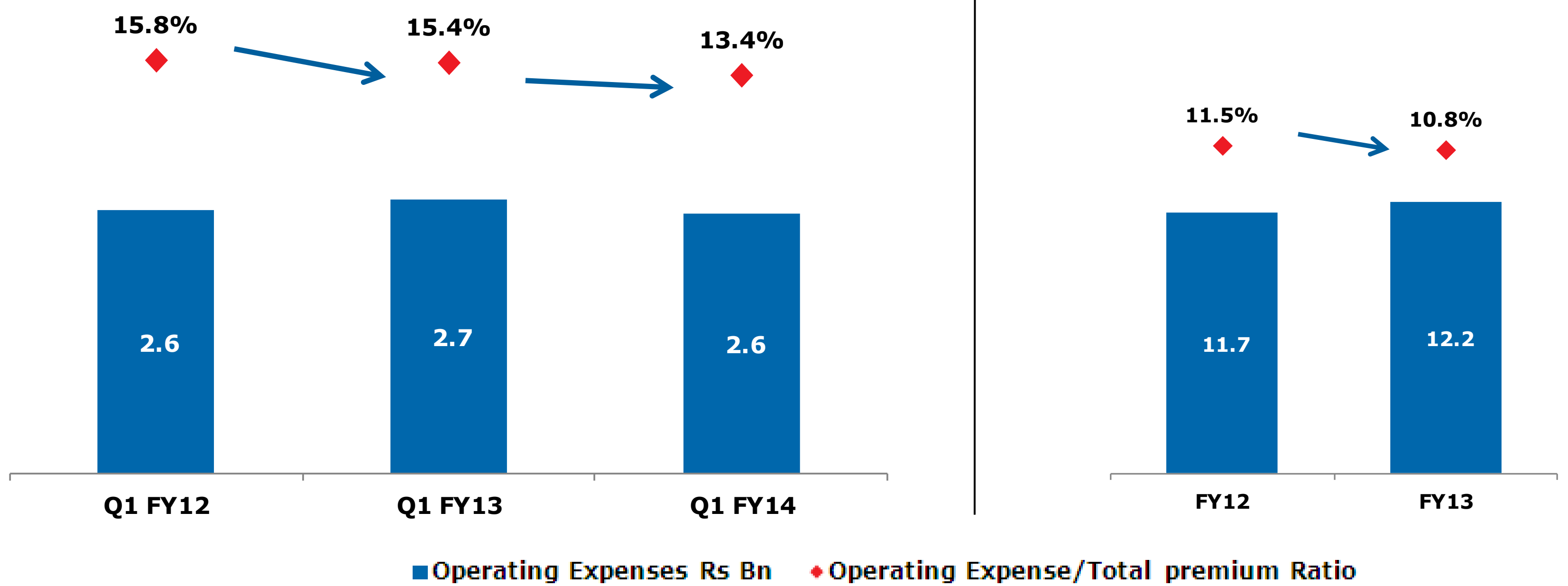
Operating Expenses

₹ Bn

Q1 performance

PY (12 M) performance



- Operating expense ratio continues to decline as a result of stringent cost control measures coupled with focus on improving productivity

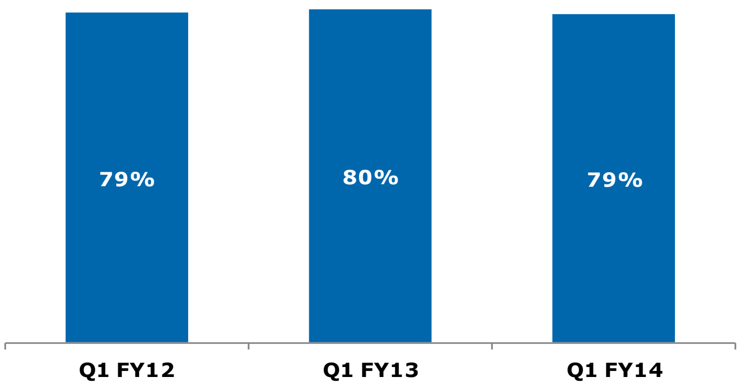
- Operating expenses exclude service tax

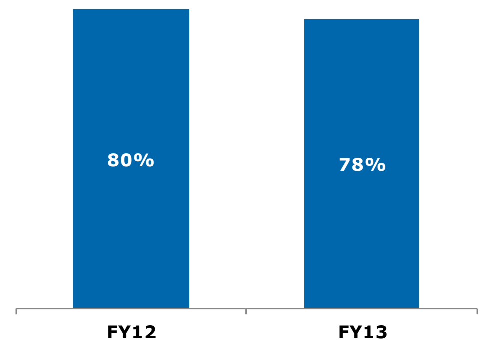
Conservation Ratio

Q1 performance

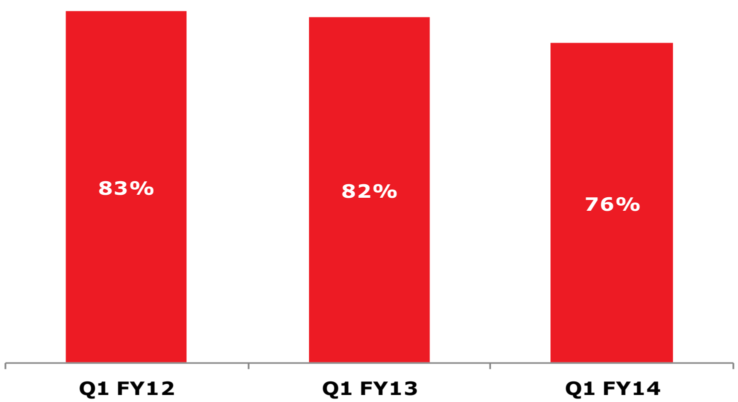
PY (12 M) performance

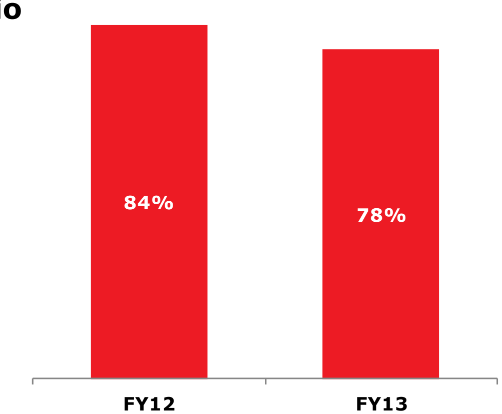
Conservation Ratio (Individual Business)*





13th Month Persistency Ratio





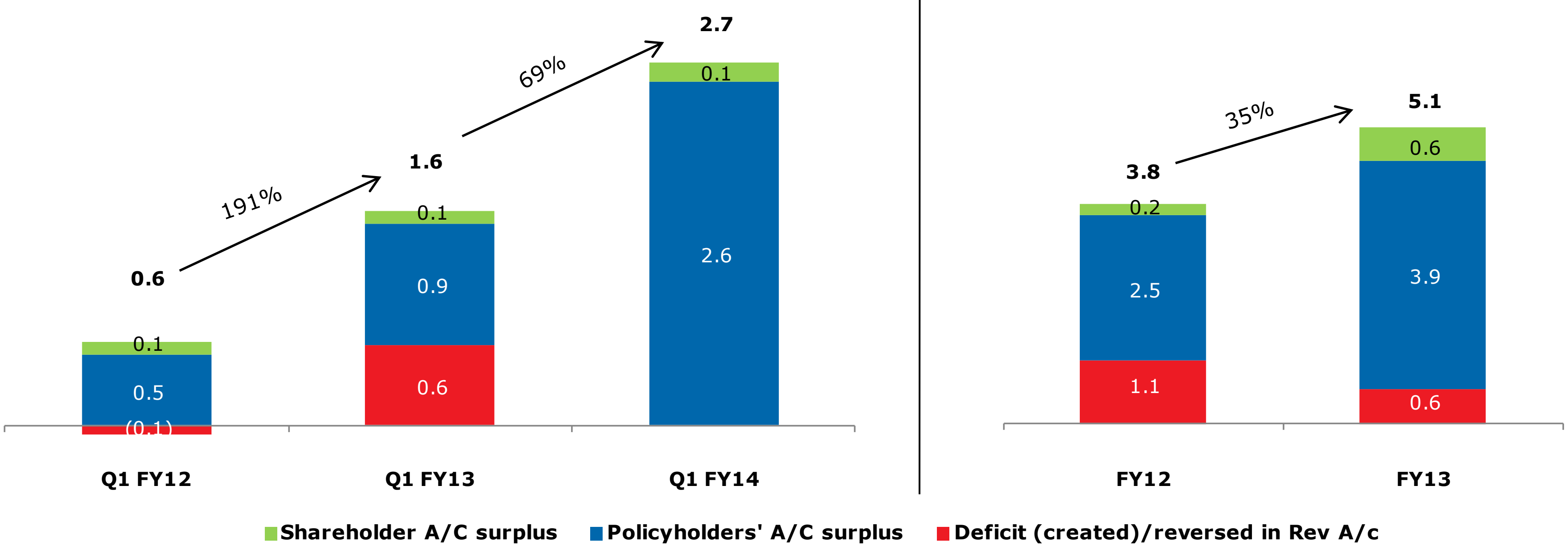
- Stable conservation ratio
- 13th month persistency lower due to lack of disincentives on policy lapses following regulatory changes

* Conservation ratio has been reworked after adjusting for change in accounting policy for unit-linked business since Q1 FY13. Adjusted for non-NAV days of the quarter ending, the ratio would be 81% in Q1 FY14 (PY 80%). Conservation ratio is for individual business.

Indian GAAP Results

₹ Bn

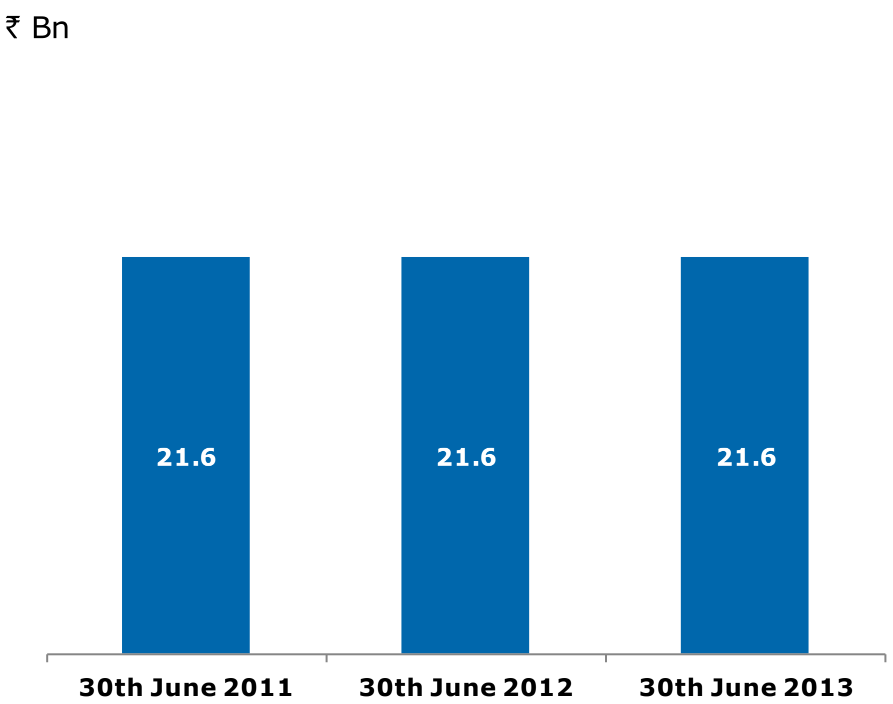
Q1 performance | PY (12 M) performance



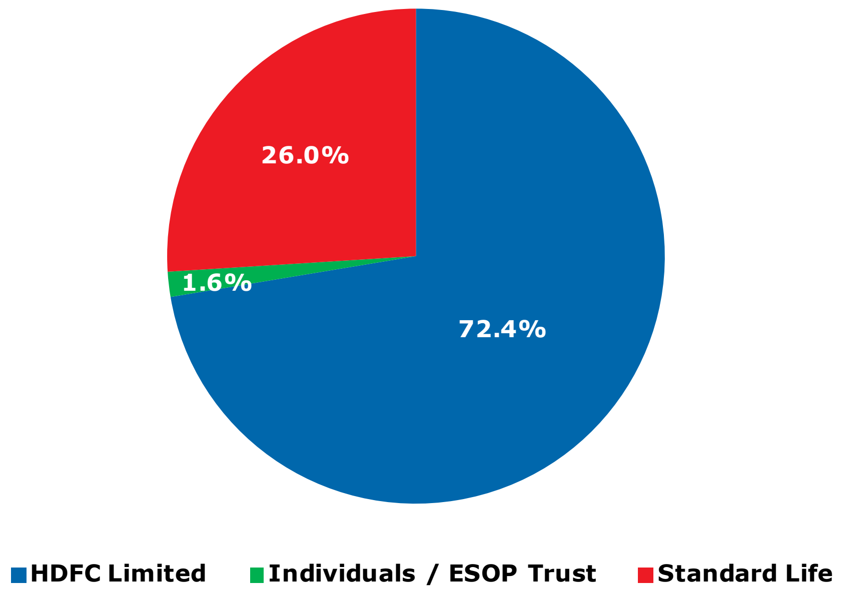
- Declared a net profit of ₹ 2.7 Bn in the current year on the back of strong back book
- UL segment is the major contributor to Policyholders’ surplus

Note: Deficit in Revenue account as of 31st March 2012 of ₹ 0.6 Bn was completely off-set in Q1 FY13

Share Capital



Shareholding Pattern

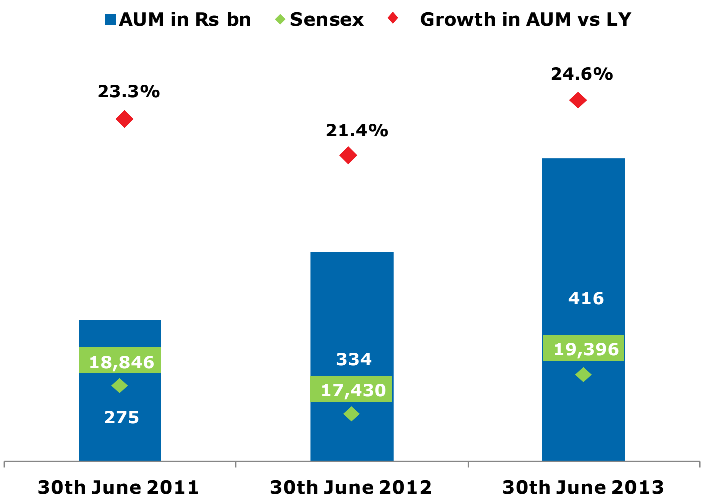


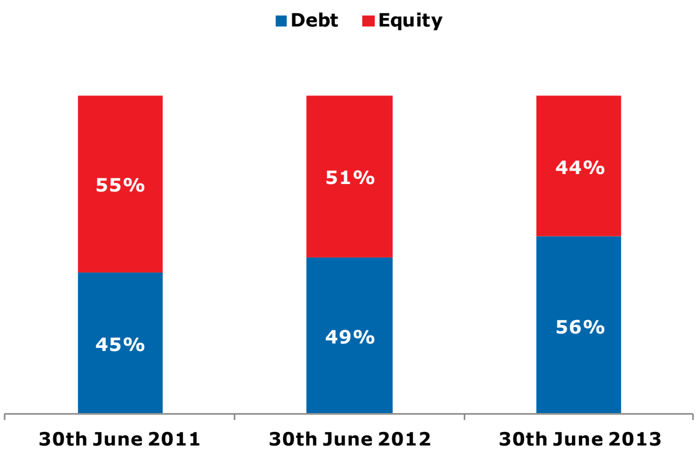
- No additional capital required in the last 9 quarters
- Solvency Ratio as at 30th June 2013 was 227% (PY 199%) as against a regulatory requirement of 150%

Note: Share Capital includes share premium of ₹ 1.65 Bn

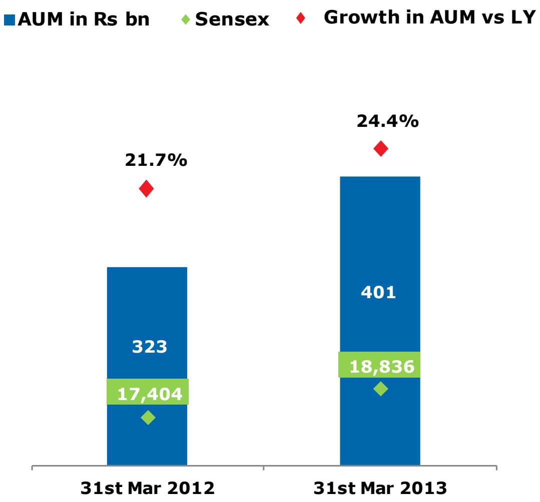
Assets Under Management

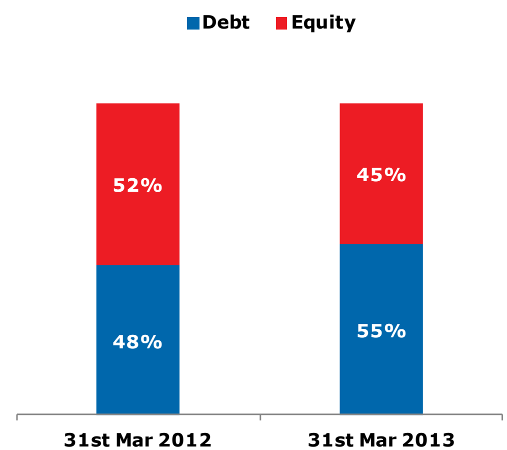
Q1 performance





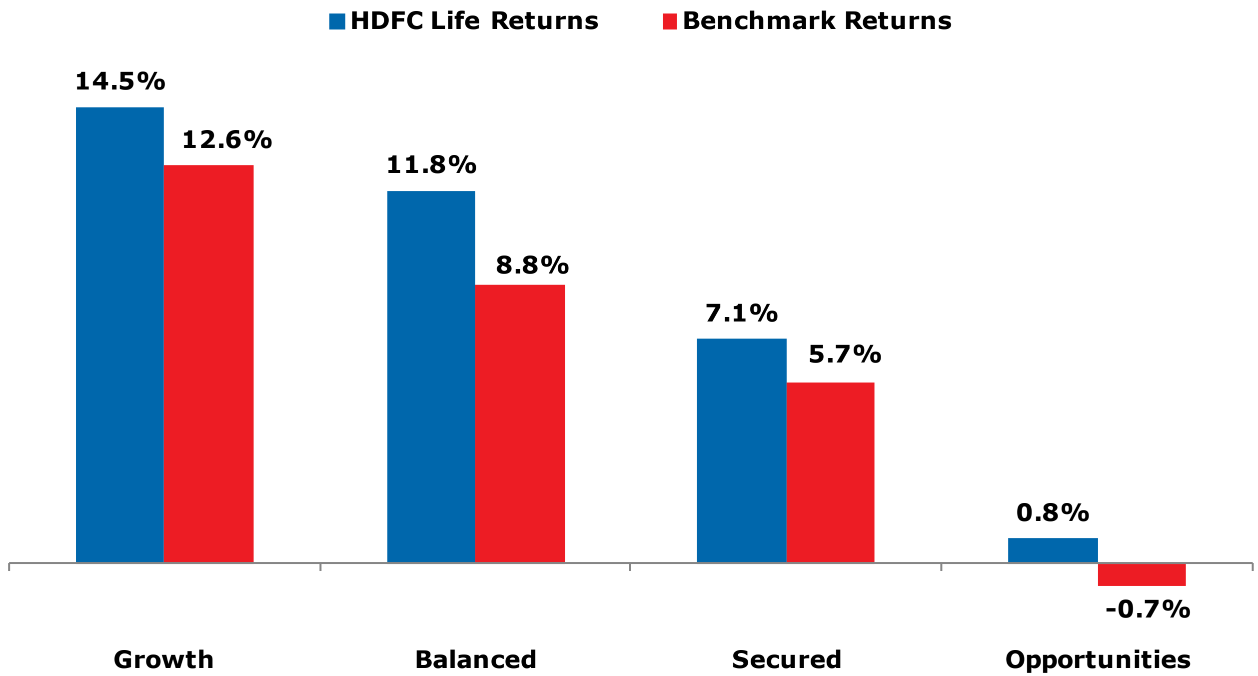
PY (12 M) performance





- 3 year CAGR of 23%
- Percentage of debt portfolio increased due to shift in product mix and surrenders in the equity oriented funds

Fund Performance (Since inception)



Benchmarks: BSE 100

45% BSE-100 & 55% Crisil Composite Bond Index

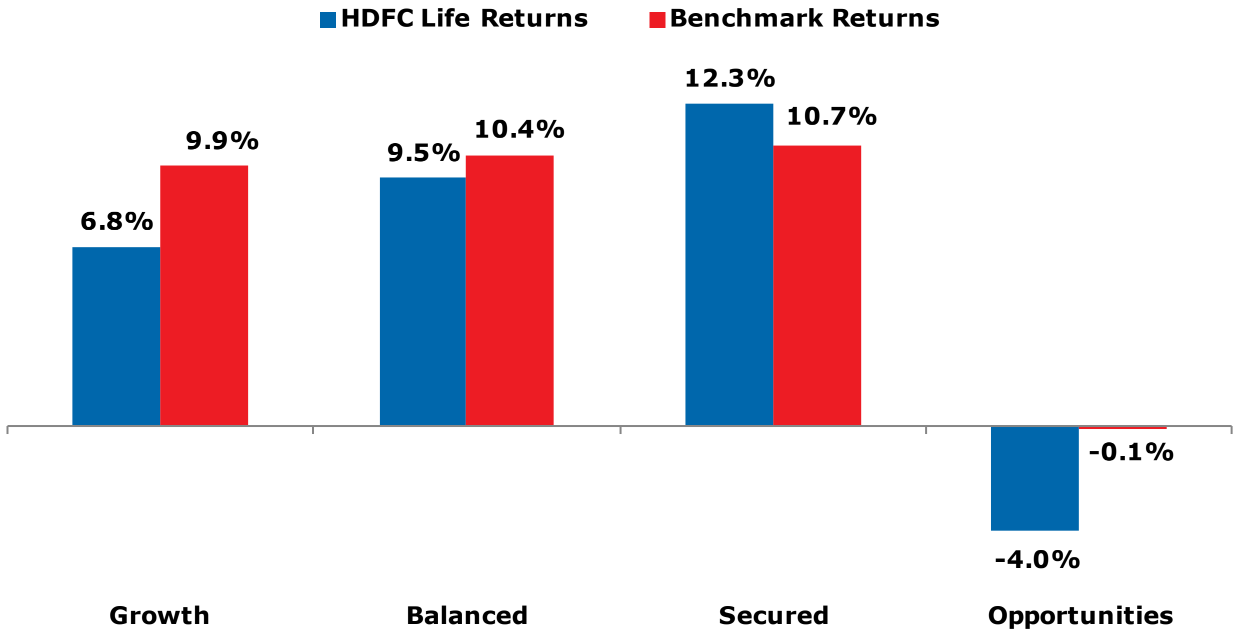
CRISIL Composite Bond Index

CNX MIDCAP Index

- The company has beaten benchmarks in all the major fund categories over a long term horizon

Inception Dates: Growth Fund, Balanced Fund, Secured Fund: January 2,2004 & Opportunities Fund: January 4,2010.
Fund performance represented in Compounded Annual Growth Rate (CAGR)

Fund Performance (Last 1 year)



Benchmarks: BSE 100

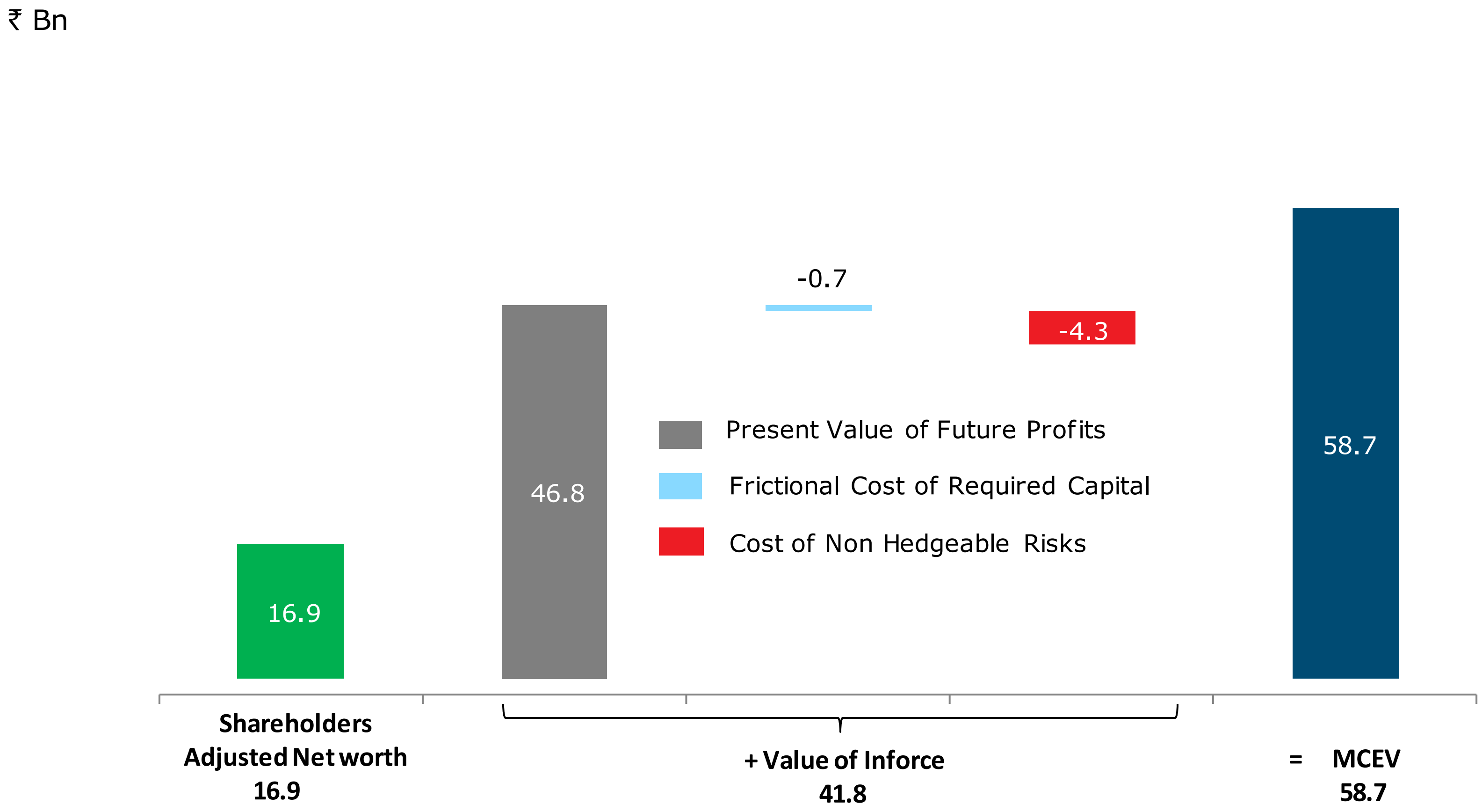
45% BSE-100 & 55% Crisil Composite Bond Index

CRISIL Composite Bond Index

CNX MIDCAP Index

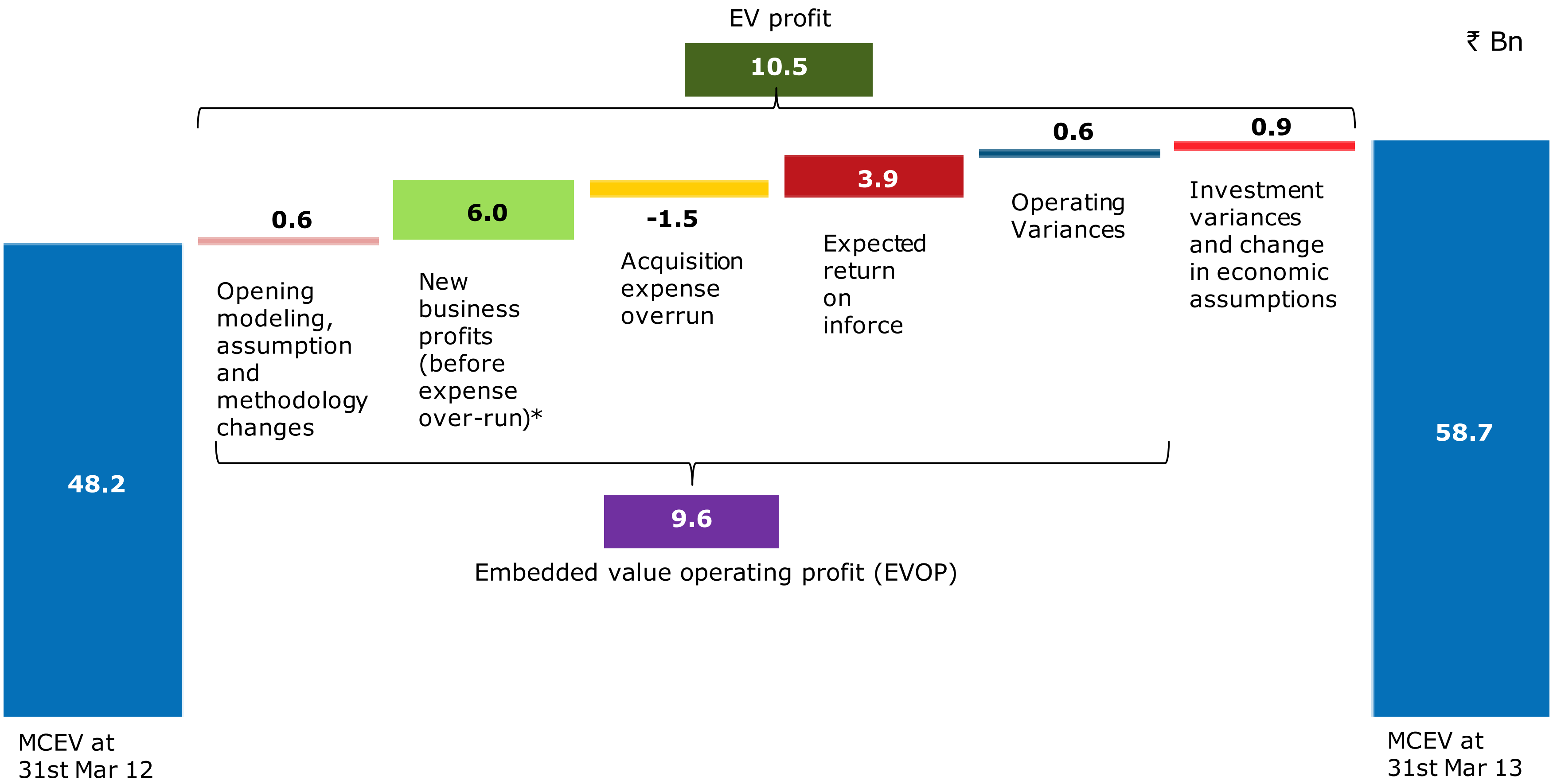
- Company's investment approach focuses on value based investing and is designed to yield better return in medium to long term
- We are also continuing to strengthen our research capabilities to ensure our investment universe is well covered

MCEV as at 31st Mar 2013



Market Consistent Embedded Value (MCEV) results are unaudited

Analysis of Change MCEV



- Embedded value operating profit (EVOP) as a percentage of MCEV has also shown an increase to 20.0% (PY 16.4%)
- EVOP shows an increase of 40% to ₹ 9.6 Bn (PY ₹ 6.9 Bn)

* New business profits pertain to Overall (Individual + Group) business

New Business Profits

₹ Bn

	Q1 FY12	Q1 FY13	Q1 FY14	FY12	FY13
New business profits[1,2]	0.6	0.8	0.6	4.8	5.8
New business APE[2]	3.8	4.5	3.1	27.9	32.8
New business margin[1,2]	15.9%	17.0%	18.8%	17.2%	17.8%
New business margin (*after impact of acquisition expenses overrun*)[2]				10.5%	13.2%

[1] Based on loaded acquisition expenses

[2] Margins and APE are shown for individual business only

- Change in product mix has enhanced new business margin with non par being a major contributor
- New Business Margin (after impact of acquisition expenses overrun) has improved due to control over operating expenses

The company has undertaken a series of steps to improve quality of sales

Additional/Strengthening of Controls	
▪ Signature verification	▪ Signature verification strengthened at proposal login stage.
▪ Pre-conversion verification calling	▪ Welcome calling for all logged in proposals to address customer concerns ▪ Pre-conversion customer calling introduced for large distributors ▪ Reiteration of product features and key terms of policy contract through verification calling
▪ Strict monitoring and action on malpractice	▪ Regular monitoring of data and customer interaction to root out any instance of malpractice
▪ Focus on business quality	▪ Tool introduced to calibrate quality of business ▪ Pre-emptive measures to reduce leakages and missale

- The company has also introduced new alert parameters, increased resources and put in place new processes to strengthen the AML monitoring processes
- A new, comprehensive training program on Anti-Money Laundering (AML) / Know Your Customer (KYC) has been launched in the quarter
- Early warning indicator (EWI) measures rolled out to assess risk of policy reversals or lapsations
- Measures of quality are now a significant part of the organization and functional balanced scorecards

Awards and Accolades

CIO 100 Award for Point of Sale– CLICK2BUY

Featured in 'Top 25 Best Places to Work for' 2013

Best Campaign in the Financial Services Sector &
Best In House Team of the Year

Celent Model Insurer of Asia 2013
&
Model Insurer Award

ASTD Citation for improving FLS Productivity

D.L. Shah Quality Award for re-cycling customer payouts

Gold for 'Integrated Media Campaign of the Year by a Brand'

For more details about our Awards & Accolades, kindly refer our website at www.hdfclife.com

Appendix & Glossary

Appendix 1 : MCEV methodology and approach

MCEV methodology

The calculations of embedded value and new business profits have been performed using a market consistent embedded value ("MCEV") approach. This approach differs from a traditional EV approach primarily in respect of the way in which allowance for risk is made.

Within the traditional EV approach allowance is made for risk through an increase in the risk discount rate used to value future shareholder cash flows, whilst within the MCEV calculation explicit separate allowances are made for risk.

Components of MCEV

There are two components to the MCEV:

1. Shareholders' adjusted net worth –this component represents the market value of assets attributable to shareholders. This amount is derived from the Indian GAAP balance sheet adjusted to allow for assets on a market value basis, elimination of intangible assets and to allow for shareholder attributable assets or liabilities residing within the unit-linked and non Par policyholder funds.

2. Value of in-force –this component represents the discounted value of after tax shareholder attributable cashflows expected on the business as at the valuation date. No allowance is made for future new business. This amount has been adjusted to deduct allowances for non hedgeable risk, frictional costs of required capital and the time value of financial options and guarantees.

Appendix 2 : Components of value of in force ("VIF")

Present value of future profits ("PVFP")

This component has been calculated by discounting the projected future after tax shareholder attributable cash-flows expected to arise on in-force business at the valuation date. The cash-flows have been projected on a deterministic basis using the company's best estimate view of future persistency, mortality and expenses. Future investment returns and the risk discount rate have been set equal to the returns from the risk free (government bond) yield curve at the closing balance sheet date.

Time Value of Financial Options and Guarantees ("TVFOG")

During FY11, the company carried out an extensive analysis of the profile of guarantees in its Par funds to identify the level of guaranteed benefits occurring at future time periods. The investment strategy of the Par funds was re-set to enable, where possible, hedging of these guaranteed benefits through cashflow matching of the guarantees with fixed interest assets. As a result, the company is of the view that there is no residual TVFOG associated with the Par funds.

The cost associated with the investment guarantees in the unit linked funds has been allowed for in the PVFP calculation.

Frictional Costs of Required Capital ("FCRC")

The VIF allows for a deduction in respect of the frictional costs of holding required capital ("FCRC"). Required capital has been set equal to the amount of shareholder attributable assets required to back local regulatory solvency requirements. The FCRC has been calculated as the discounted value of investment costs and taxes on shareholder attributable assets backing the required capital over the lifetime of the in-force business.

Cost of non hedgeable risk ("CNHR")

The VIF incorporates an explicit deduction to allow for non hedgeable and non economic risks. The CNHR has been derived using a cost of capital approach and is calculated as the discounted value of an annual charge applied to projected risk bearing capital.

- The initial risk bearing capital has been calculated based on 99.5th percentile stress events for non economic assumptions over a 1-year time horizon. This initial risk bearing capital has been updated based on the portfolio of business as at 31st March 2013.
- Projected risk bearing capital has been determined by running-off the initial risk bearing capital in line with the expected movement in the regulatory solvency margin requirement.
- 99.5th Percentile stress events have been taken from the EU Solvency II, QIS 5 framework (previously QIS 4 framework). In order to allow for the greater risks associated with emerging markets, the risk bearing capital has been uplifted by 50%.
- The annual charge applied to the projected risk bearing capital is 4% p.a.

The stress events, uplifts to NHR, run-off pattern for projected risk bearing capital and annual charge, are reviewed and modified if necessary on an annual basis.

Appendix 3 : Key assumptions underlying MCEV

Expenses

- Maintenance expenses have been based on the latest expense analysis done in FY13 and are inflated at 7.5% per annum. These assumptions do not incorporate any allowance for future productivity improvements.
- Given the substantial changes in regulations, the Company has reviewed its cost structure, as a result of which the long-term acquisition expense levels have been calibrated at a level lower than that used earlier. These new long-term acquisition expense levels, as approved by the committee of Board in March 2012, have been incorporated into the pre-overrun margins disclosed for FY12 and FY13.

Economic assumptions

- The closing MCEV is calculated assuming projected earned and risk discount rates are both set equal to the risk free (government bond) yield curve at the closing balance sheet date.
- The new business profitability is calculated with similar assumptions, except that the yield curve at the opening balance sheet date is used.
- No allowance for any illiquidity premia is made within the earned rates, except for group credit spread products.

Mortality and morbidity

- Mortality and morbidity assumptions are set by product line and are based on past experience.

Persistency

- Persistency assumptions are set by product line, payment mode and duration in-force, based on past experience and expectations of future experience. Separate decrements are modeled for lapses, surrenders, paid-ups and partial withdrawals.

Tax assumptions

- Tax assumptions are based on interpretation of existing tax legislation, where appropriate supported by legal opinion.
- Profits attributable to shareholders are assumed to be taxed at 14.16% for Life business and 0% for Pensions business.
- Allowance is made within the tax computation for dividend offsets permitted under Section 2A of the Income Tax Act and for losses incurred within the Shareholder Fund.
- No allowance is made for future changes to taxation such as the Direct Tax Code. These changes will be incorporated only once materially enacted. It is expected that implementation of DTC in its current form will result in a material negative impact to the MCEV and new business profitability.

Appendix 4 : Key components underlying MCEV movements

Analysis of change in MCEV

- Opening modeling, assumptions and methodology changes: The models, assumptions and methodology are continuously refined and improved and the impact of these refinements is reflected in the opening changes.

- Expected return on inforce: This item reflects expected investment income on shareholder assets during the period, and reflects that future shareholder profits are now 1 year closer than at the start of the period. This positive item will occur in each MCEV period.

- Operating Variances: The Operating Variances capture the impact of the deviations of the actual claims, persistency and maintenance expense experience during the period from that assumed in the opening MCEV calculation.

- Investment variances and change in economic assumptions: This reflects the impact due to the actual investment return being different from the expected returns and the impact from the change in the yield curve at the end of the period compared to the yield curve at the start of the period.

Glossary

Commission ratio – Ratio of total commissions paid out on first year, single and renewal premiums to total premiums.

Conservation ratio – Ratio of current year renewal premiums to previous year's renewal premium and first year premium.

APE (Annualized Premium Equivalent) – The sum of annualized first year regular premiums and 10% weighted single premiums and single premium top-ups.

First year premiums – Regular premiums received during the year for all modes of payments chosen by the customer which are still in the first year. For example, for a monthly mode policy sold in March 2013, the first installment would fall into first year premiums for 2012-13 and the remaining 11 installments in the first year would be first year premiums in 2013-14.

New business received premium – The sum of first year premium and single premium.

Operating expense – All expenses of management excluding service tax. It does not include commission.

Operating expense ratio – Ratio of operating expenses (excluding service tax) to total premiums.

Renewal premiums – Regular recurring premiums received after the first year.

Solvency ratio – Ratio of available solvency margin to required solvency margins.

Total premiums – Total received premiums during the year including first year, single and renewal premiums for individual and group business.

Weighted received premium (WRP) – The sum of first year premium and 10% weighted single premiums and single premium top-ups.

13th month persistency – Percentage of contracts, measured by premium, still in force 13 months after they have been issued.

HDFC Life

Disclaimer

This release is a compilation of published financial results, other information and is not a statutory release. This may also contain statements that are forward looking. These statements are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could differ from our expectations and assumptions. We do not undertake any responsibility to update any forward looking statements nor should this be constituted as a guidance of future performance. This release is a privilege copy intended for reference of selected group.

These disclosures are subject to the prevailing regulatory and policy framework as on June 30, 2013 and do not reflect any subsequent changes.

Protection Plans

Health Plans

Children's Plans

Savings Plans

Investment Plans

Youth Plans

Retirement Plans

Women's Plans

Employee Benefit Solutions

HDFC Life

In partnership with Standard Life